

Message Text

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ACTION NEA-11

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DEPT PASS EXIMBANK

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SUBJ: PHOENICIA HOTEL TO BE REHABILITATED

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1. SUMMARY: WORK TO REHABILITATE PHOENICIA HOTEL IS TO COMMENCE THIS SUMMER ON STRENGTH GOL GUARANTEE FOR THE INVESTMENT AND PRIVATE BANK LOAN. COMPLETION EXPECTED IN 8 TP 12 MONTHS. THIS ENTERPRISE SHOULD SPUR OTHER PRIVATE SECTOR RECONSTRUCTION IN BEIRUT. END SUMMARY.

2. BEIRUT PRESS CARRIED REPORTS JUNE 15-16 THAT DECISION TO REBUILD FIRST OF BEIRUT'S THREE PREMIER DELUXE HOTELS, THE PHOENICIA, IS NOW DEFINITE. ECONOFF IN CALL ON OWNER NAJIB SALHA JUNE 23 CONFIRMED FOLLOWING DETAILS.

3. RECONSTRUCTION. SALHA SAID DECISION TO RENOVATE MUCH
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RUMORED SINCE BEGINNING OF YEAR, WAS INITIALLY TAKEN MARCH 1, THEN SHELVED AS RESULT ISRAELI INVASION. TWO FACTORS, GOL GUARANTEE AND BANK FINANCING, NOW MADE IT POSSIBLE TO PROCEED. SALHA DESIGNATED NO PRECISE START-UP DATE, CALLING WORK A CONTINUATION OF INTERIOR REHABILITATION BEGUN QUIETLY LAST YEAR. WORK TO DATE HAS FOCUSED ON HOTEL'S MAJOR UTILITIES: LAUNDRY ROOM, ELECTRIC MAINS, FREEZERS AND BOILERS.

ELEVATORS AND KITCHEN WILL COME NEXT, FOLLOWED BY ROOMS AND PUBLIC AREAS, THEN EXTERIOR. RECONSTRUCTION PLAN CALLS FOR REPAIRS TO EXTERIOR LAST IN ORDER TO AVOID ATTRACTING UNWELCOME ATTENTION DURING PERIOD OF INSTABILITY AND POOR SECURITY WHICH SALHA ANTICIPATES FOR SOME MONTHS YET. BY JULY 1979, THE OLD WING OF THE HOTEL (300 ROOMS) WILL BE READY FOR GUESTS. THE NEW WING WILL REMAIN UNTOUCHED UNTIL SECURITY AND TOURISM CONDITIONS WARRANT ITS REHABILITATION.

4. FINANCING. A SINGLE BANK, SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN (AFFILIATED WITH BANQUE DE PARIS ET DES PAYS-BAS), IS PUTTING UP LL 40 MILLION (U.S. \$14 MILLION) LOAN FOR PROJECT. SALHA NOTED THAT ASST. MANAGER FROM LOCAL BRANCH OF CHASE MANHATTAN HAD VISITED HIM TO EXPRESS INTEREST, BUT HE HAD REFERRED THE CHASE MAN TO SOCIETE NOUVELLE. SALHA EXPRESSED BELIEF THAT PARIS IS PRESENTLY CONSIDERING WHETHER TO ALLOW CHASE TO JOIN THE LOAN. FROM POLITICAL VIEWPOINT SALHA WOULD WELCOME INVOLVEMENT BY U.S. BANK, HE SAID, AND PERSONALLY HE HAD BEEN GRATIFIED AND REASSURED BY CHASE'S INTEREST. HE SAID SOCIETE'S TERMS ARE 10 YEARS, 2 YEARS' GRACE, AT 7 PERCENT.

5. GUARANTEE. KEY FEATURE OF PROJECT IS THE GOL GUARANTEE, WHICH SALHA HAD MADE A SINE QUA NON OF PROCEEDING. DECREE NO. 3 OF THE SARKIS ADMINISTRATION DATED JANUARY 1977 CREATED THE INSTITUTE FOR THE GUARANTEE OF INVESTMENTS, WHICH HAS YET LIMITED OFFICIAL USE

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TO FUNCTION. SALHA HAS BEEN PUSHING GOL TO ACTIVATE IT (REFTEL B) AND NOW BELIEVES THAT THE PHOENICIA WILL RECEIVE INSURANCE POLICY NUMBER ONE ISSUED BY THE INSTITUTE. AS SOON AS COUNCIL OF MINISTERS ESTABLISHES FORMALLY THE PREMIUM CHARGES, WHICH HE GUessed WOULD BE ONE PER THOUSAND OF INSURED VALUE, SALHA SAID HE EXPECTS TO SIGN THE FORMS.

6. LABOR. SKILLED LABOR IS IN SHORT SUPPLY BUT SALHA THOUGHT THAT A PREMIUM WAGE WOULD LURE A SUFFICIENT WORK FORCE. THREE REPRESENTATIVES OF INTERCONTINENTAL HOTELS (PAN AM) WILL SUGGEST MODIFICATIONS TO INCREASE EFFICIENCY OF HOTEL'S INTERIOR SPACE AND OVERSEE RECONSTRUCTION.

7. EXIMBANK. SALHA WAS PROFUSE IN APPRECIATION OF SUPPORTIVE ATTITUDE THAT HAS CHARACTERIZED HISTORY OF EXIM'S DEALINGS WITH HIM. MOST RECENT GESTURE WAS A RENEWED EXPRESSION OF SUPPORT CONVEYED BY THE CHASE REP DURING LATTER'S VISIT. AT PRESENT NO EXIMBANK FUNDS WILL BE NEEDED FOR PROJECT IN VIEW SOCIETE NOUVELLE FINANCING, BUT SALHA HOPED CORDIAL RELATIONS WOULD CONTINUE INTO THE FUTURE.

8. COMMENT: PHOENICIA RANKS HIGH IN PANTHEON OF SYMBOLS

(HOLIDAY INN, PAN AM, NEW U.S. EMBASSY BUILDING) WHOSE RESURRECTION IS CONSIDERED BY LEBANESE TO AUGUR IMPENDING PEACE AND RECOVERY. A COMMITMENT TO RESTORE PHOENICIA IS ALSO MIDWIFE TO THE INSTITUTE FOR THE GUARANTEE OF INVESTMENTS, SALHA'S ACCOMPLISHMENT WILL BRING FAR REACHING PRACTICAL IN ADDITION TO SYMBOLIC BENEFITS TO SMALLER INVESTORS. THE REAL LEGACY OF THE HOTEL WILL BE THE INSTITUTE. BUT THE INSURANCE POLICY REMAINS TO BE SIGNED, ITS SIGNATURE DEPENDS ON AN ACTION BY THE COUNCIL OF MINISTERS, AND THEREFORE NOTHING IS TOTALLY FIRM YET.

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